



Statistics in focus

ECONOMY AND FINANCE

THEME 2 – 37/2003

BALANCE OF PAYMENTS

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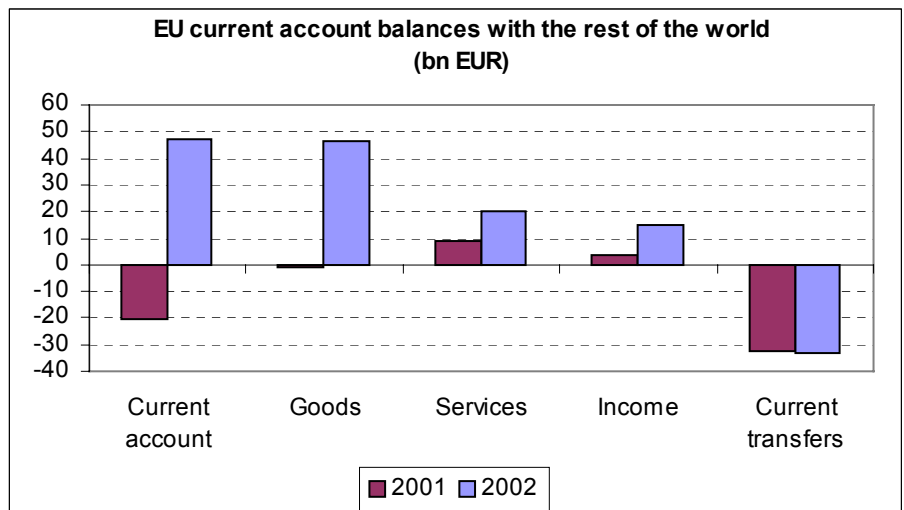
EU EXTERNAL SURPLUS UP TO EUR 47.6 BN IN 2002

EU current account preliminary results for 2002

Luis Biedma and Daniela Comini

The EU current account balance showed a strong improvement in 2002, reaching a surplus of EUR 47.6 bn, compared to a deficit of EUR 20.5 bn in 2001. This recovery resulted from the EU goods¹ balance turning into a surplus of EUR 46.3 bn in 2002 and the increases registered in the EU surpluses in services and income reaching EUR 20.2 bn and EUR 14.6 bn, respectively. However, the current transfers structural deficit deteriorated slightly to EUR 33.5 bn in 2002.

The EU current account surpluses with the USA and Canada grew markedly to EUR 84.3 bn and EUR 10.9 bn, respectively, whereas the EU current account deficit with Japan narrowed to EUR 18.9 bn. The euro-zone services² balance recorded a higher surplus of EUR 8.4 bn in 2002, compared to EUR 2.4 bn in 2001.



For the first time since 1998, the EU current account registered a surplus

Preliminary 2002 results revealed a robust recovery of the EU current account balance with the rest of the world, reversing from a deficit of EUR 20.5 bn in 2001 to a surplus of EUR 47.6 bn in 2002. The last time that the EU registered a current surplus was in 1998³. This amelioration was mostly due to the EU goods balance, that shifted into a surplus as a consequence of the fall in EU imports of goods (-3.8%) and by the rise in EU exports of goods (+1.1%).

The EU current account balance also benefited from the higher surplus registered in services and income, respectively EUR 11.2 bn and EUR 10.8 bn higher in 2002 than in 2001. EU exports in services grew by 2.8% and EU imports declined by 0.8% while EU income credits contracted by 14.3% and EU income debits shrunk by 18%. At the same time, the current transfers deficit widened slightly by EUR 0.7 bn to EUR 33.5 bn in 2002.

¹ According to the Balance of Payments concept: (exports FOB – imports FOB).

² The euro-zone (euro12) aggregate includes Belgium, Germany, Greece, Spain, France, Ireland, Italy, Luxembourg, the Netherlands, Austria, Portugal and Finland.

³ For more information about the EU current account balance, see *Statistics in Focus*, Theme 2 – 17/2003, Eurostat, 'EU current account deficit decreased to EUR 20.5 bn'

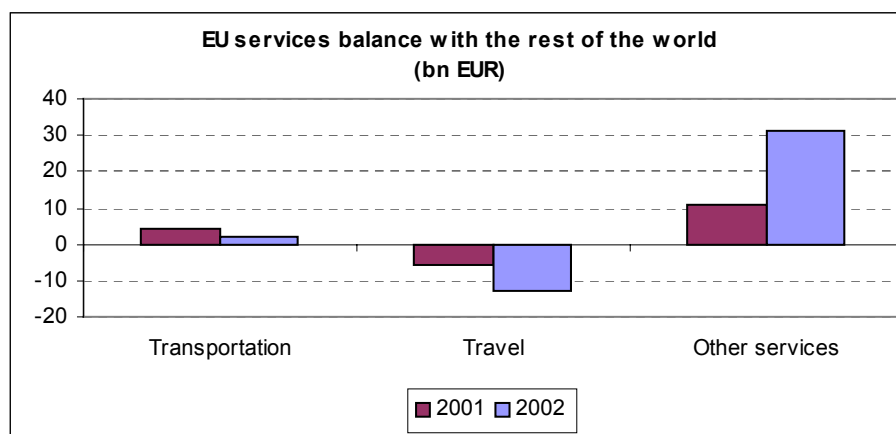
The higher EU external current account surplus can be explained by the contraction of debit current transactions of 6.0% to EUR 1 537.1 bn, while at the same time credit transactions decreased only by 1.9%, to EUR 1 584.7 bn. As a result of this decline in exports and imports, total extra-EU current transactions were 3.9% lower in 2002.

Main items of the EU-15 current account: growth from 2001 to 2002 (bn EUR)

ITEM	CREDIT			DEBIT			NET		
	2001	2002	var.(%)	2001	2002	var.(%)	2001	2002	var.(abs)
Current account	1 614.8	1 584.7	-1.9%	1 635.3	1 537.1	-6%	-20.5	47.6	68
Goods	959.8	970.1	1.1%	960.3	923.8	-3.8%	-0.5	46.3	46.8
Services	313.8	322.5	2.8%	304.8	302.3	-0.8%	9	20.2	11.2
Transportation	78.1	71.3	-8.7%	74.1	69.5	-6.2%	4	1.8	-2.3
Travel	71.9	70.5	-1.9%	77.4	83.2	7.4%	-5.6	-12.7	-7.1
Other services	163.9	180.7	10.3%	153.3	149.6	-2.4%	10.6	31.1	20.5
Income	304.4	260.9	-14.3%	300.6	246.4	-18%	3.8	14.6	10.8
Current transfers	36.8	31.1	-15.3%	69.6	64.7	-7.1%	-32.9	-33.5	-0.7

The higher surplus in other services more than offset the deterioration of travel and transportation balances

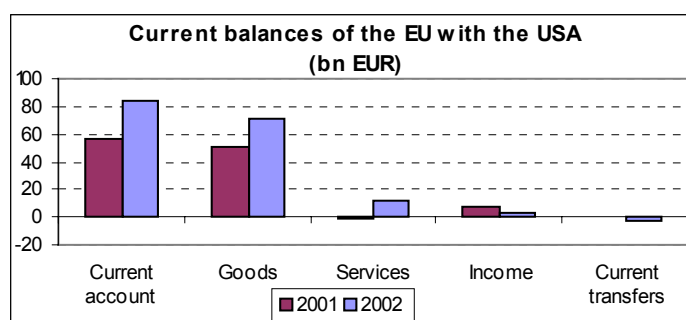
The EU surplus in services was pushed up by the higher surplus recorded in 'other services', almost tripling to EUR 31.1 bn in 2002. On the other hand, the EU deficit in 'travel' reached EUR 12.7 bn, undermined by the 7.4% increase in the expenditures abroad and the 1.9% fall in 'travel' receipts. The surplus in 'transportation' deteriorated to EUR 1.8 bn, due to the more pronounced decline in its exports (-8.7%) against imports (-6.2%).



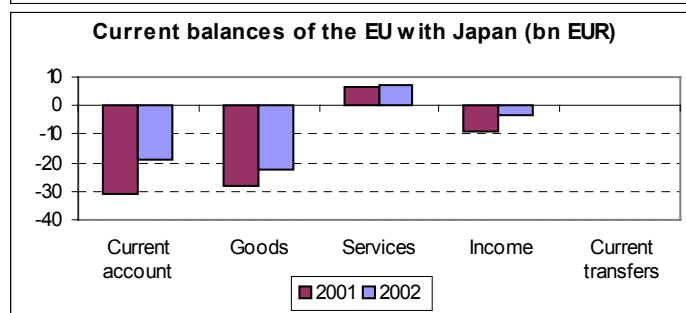
EU current account balances recovered with the USA, Canada and Japan

In 2002, the USA continued to be the first extra-EU partner, accounting for 28% of total EU external transactions. Shares of Japan and Canada were respectively 5% and 2%.

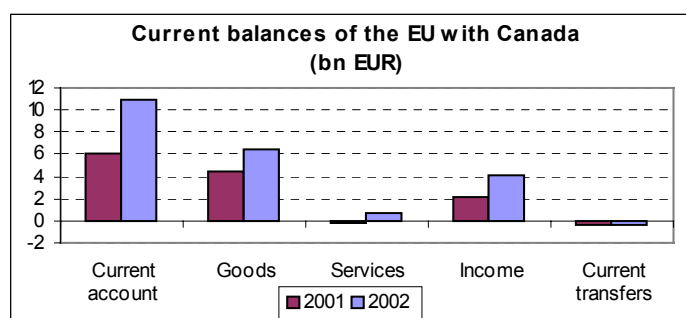
The EU current account surplus with the USA went up remarkably to EUR 84.3 bn in 2002, EUR 27.7 bn larger than in 2001. This improvement is explained by the larger surpluses recorded in the goods and services balances, reaching EUR 70.5 bn and EUR 12.1 bn in 2002, respectively. On the other hand, the EU income and current transfers balances worsened, totalling EUR +3.7 bn and EUR -2.0 bn in 2002, respectively.



The structural EU current account deficit with Japan declined to EUR 18.9 bn in 2002, EUR 11.8 bn lower than in 2001. This result was due to weaker deficits registered in the goods and income balances, EUR 22.5 bn and EUR 3.7 bn respectively (EUR 5.8 bn and 5.2 bn lower than in 2001). In addition, the services surplus rose to EUR 7.2 bn in 2002, EUR 0.7 bn higher than in 2001, and the current transfers registered a small surplus of EUR 0.1 bn, gaining EUR 0.2 bn.



The EU current account surplus with Canada widened from EUR 6.0 bn in 2001 to EUR 10.8 bn in 2002. This improvement was particularly significant for the goods and income surplus, recording respectively a surplus of EUR 6.4 bn and EUR 4.1 bn (gaining each about EUR 2.0 bn). While the EU surplus in services progressed to EUR 0.7 bn (EUR +0.9 bn), the current transfers balance deteriorated to EUR -0.4 bn.



Euro-zone surplus in services grew to EUR 8.4 bn in 2002

The euro-zone surplus in services continued to increase in 2002, amounting to EUR 8.4 bn. The euro-zone surplus in services was EUR 6.0 bn higher than in the previous year mainly due to the contraction of the deficit in 'other services' from EUR 25.7 bn to EUR 11.4 bn in 2002. At the same time, the 'transportation' and 'travel' balances recorded weaker surpluses of EUR 4.2 bn and EUR 15.5 bn respectively in 2002.

Euro-zone trade in services with the rest of the world (bn EUR)

	Exports		Imports		Balance	
	2001	2002	2001	2002	2001	2002
Services	316.2	321	313.8	312.6	2.4	8.4
<i>Transportation</i>	76.2	74.1	70.5	69.9	5.8	4.2
<i>Travel</i>	88.5	86.4	66.1	70.9	22.3	15.5
<i>Other services</i>	151.5	160.4	177.2	171.8	-25.7	-11.4

➤ ESSENTIAL INFORMATION – METHODOLOGICAL NOTES

The results presented here are preliminary calculations based on the sum of quarterly data reported by Member States and are subject to revisions. Final 2002 results will be issued by the end of November 2003. The balance of payments records all economic transactions between a country (i.e. its residents) and foreign countries or international organisations (i.e. the non-residents of that country) during a given period. As part of the balance of payments, the current account takes care of real resources and is subdivided into four basic components: goods, services, income and current transfers. The methodological framework used is that of the fifth edition of the International Monetary Fund Balance of Payments Manual (BPM5). The EU balance of payments is compiled by Eurostat in accordance with a methodology agreed with the European Central Bank (ECB) based on extra-EU transactions, i.e. by aggregating cross-border transactions of EU residents vis-à-vis non-EU residents as reported by the 15 participating Member States. The balance of payments of the EU institutions is added to the EU aggregate.

The ECB compiles Balance of Payment data for the euro-zone. For more information on euro-zone Balance of Payments data, see the ECB website <http://www.ecb.int/stats/mb/eastats.htm>. Eurostat provides, also for the euro-zone, the annual detailed breakdowns of the item services, both by components and geographical breakdown. This breakdown, available in full detail only with the final results, is not produced by the ECB. Eurostat data concerning the euro-zone (available from 1997) do not match up exactly with those released by the ECB. The difference between the two sets of data goes from a minimum of -0.6% for the item Goods to a maximum of -8.8/12.2(credit/debit) for the item Income. This small difference can be explained by some minor discrepancies between Eurostat and ECB practices and methodology:

- (i) Eurostat and ECB require from Member States a different treatment of geographically non allocated flows;
- (ii) Eurostat and the ECB have different 'cut-off' dates for receiving Member States' data for processing. Revisions could take place between these 'cut-off' dates;
- (iii) For services, there is a small methodological difference (Non-inclusion versus inclusion of Special Purpose Entities) for the data transmitted to Eurostat and the ECB by one Member State.
- (iv) Eurostat's data concerning "income" are not comparable with those produced by the ECB. A new methodology has been implemented by the ECB for the geographical allocation of portfolio investment income, which has consequences on the income account and the current account. Both institutions are currently actively working together in order to minimize these discrepancies in the very near future.

Further reading

Eurostat's publication database New-Cronos gives annual Balance of Payments data inside theme2 (Economy and Finance), domain 'bop'. European Union international transactions, data 1991-2001, Eurostat, 2003. A CD-ROM 'Geographical breakdown of the EU current account - International Trade in Services' is released as part of this publication. OECD Statistics on International Trade in Services 1992-2001, OECD, 2003

Further information:

➤ Reference publications

Title European Union International Transactions - Data 1991-2001
Catalogue No KS-AP-03-001-EN-C Price EUR 45

➤ Databases

NewCronos, Theme 2, Domain: bop/its

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For information on methodology

Luis Biedma, Eurostat/B5, L-2920 Luxembourg, Tel. (352) 4301 34728, Fax (352) 4301 33859, E-mail: Luis.Biedma@cec.eu.int

Daniela Comini, Eurostat/B5, L-2920 Luxembourg, Tel. (352) 4301 33633, Fax (352) 4301 33859, E-mail: Daniela.Comini@cec.eu.int

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